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Using Your Wool Cooperative

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THE Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmers' cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

**Joseph G. Knapp
Administrator
Farmer Cooperative Service**

Educational Circular 2
Revised October 1965

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Using Your Wool Cooperative

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FOR over 100 years, wool growers in the United States have marketed wool cooperatively.

In recent years, 20 to 30 percent of the annual shorn clip of the country has been marketed by over 150 wool cooperatives. In addition, other types of cooperatives also do some wool marketing. These associations range in size from small, informal local pools handling less than a carload to State and regional cooperatives marketing several million pounds of wool annually.

These wool-marketing organizations are member-owned and member-controlled associations that market wool for their members. They increase the net return of their members by more efficient marketing and more competitive pricing. They also provide other necessary services to growers.

The members are wool growers who choose to market their wool

together. They elect the board of directors. The board, in turn, sets goals, establishes policies, checks operating procedures, and hires the manager. The combination of the board of directors and the manager make up the management team that directs the business operations of the cooperative.

The success of the cooperative depends largely on the support it gets from members and on the ability of the management. For this reason, it is important that you understand the nature of cooperative wool marketing.

This publication explains how your wool cooperative operates, how you become a member, and how your wool cooperative is financed. It also points out the importance of your support for your cooperative and mentions some new services being added by wool cooperatives in the United States today.

Examining

THE type of wool marketing organization operating in your community may differ from those in other parts of the United States.

However, most of these organizations can be generally classified as local and State and regional wool marketing associations.

Local Pools

You may be interested in one of the more than 140 local cooperative wool pools scattered throughout the Nation, 91 of them in the East and the South, the remainder in the range areas.

The local pool in your community may be like the many informal, simply organized pools that operate only during the shearing and shipping season.

For example, you and your neighborhood wool growers may decide to sell your wool together. You agree to bring it to a prearranged location on a designated day so that the wool can be assembled at a central location.

After you deliver the wool, which may or may not be graded, your cooperative asks buyers to offer bids. After the sale, your pool loads the wool for shipment. As soon as the buyer pays for your wool, the pool pays you and your fellow members for your wool, minus a deduction for marketing costs. For many pools, this ends activities until the next shearing season.

If you are a member of the few pools that use established grades, you receive a price based directly on the quality of your wool. However, if your local pool does grade wool, it may or may not use commonly accepted industry grades. It estimates the grades of the wool on a rough basis before the sale and you receive a price roughly in line with the quality of your wool. Therefore if you are a member of the many pools that do not grade at all, you will receive the same price regardless of quality.

After receiving your wool, your pool can either sell it outright or

consign it to another marketing agency. If it sells outright it can either get sealed bids from buyers or it can negotiate a private treaty—two selling methods available to you as an individual.

Your pool may use marketing agreements with members to outline mutual duties and responsibilities and to help stabilize the volume of the pool.

This agreement calls for members to deliver their wool at a certain time and place and the association agrees to market and remit the net proceeds to the growers.

Marketing costs are usually low because members or outside agencies contribute much of the labor and management free of charge. Many pools also help reduce handling costs by selling directly to wool manufacturers.

Regional and State Associations

Regional and State associations can handle millions of pounds of wool a year. Oftentimes their fore-runners have been locals.

But they differ from local pools because they handle a greater volume of wool, offer a greater number of marketing services, and cover a wider territory.

Some regional and State associations market on a national basis. The National Wool Marketing Corporation of Boston, Mass., is owned by 14 regional and State associations. This federated joint sales agency handles wool marketing for members from 30 States.

Your State or regional association handles, grades, stores, and charges a commission to sell your wool. It provides experienced wool salesmen and professional graders as well as other marketing services.



Delivering wool clip to a marketing point—a wool cooperative.

Your State or regional association offers you as a member a choice of several methods of handling and selling your wool. The association may buy it outright, store it for later sale, or accept the consignment of your wool. In selling your wool, the cooperative may use an auction, private treaty, or sealed bids to obtain the best price.

Often the State or regional association prefers to handle wool by consignment from members. Under this method, you deliver your wool and the cooperative agrees to act as your marketing agent.

Since the wool is marketed over a period of months, a waiting period before you get final settlement is usually necessary. However, an average of about 75 percent of the market value of your wool may be advanced to you before the sale of the wool. When the wool is sold, you receive the total sales price minus freight and handling charges and the advance you were given.

You are the one who decides how you want your wool marketed. However, this fact should be made clear: Throughout the major shearing season supplies of new wool ordinarily depress the market, and therefore, wool prices usually are lowest at this time of year. Thus on the average over a period of years, you can expect to gain by consigning your wool and selling it after shearing time.

You will find most associations provide storage, warehousing, and financing services. Many of the larger associations also offer other services, such as supply departments that handle shearing equipment, wool bags, twine, drugs, and miscellaneous supplies.

Your association, along with other wool handlers, may act as the agent of growers in securing the benefits of price support programs for producers. The National Wool Act of 1954 and its subsequent extensions were designed to encourage

greater production and better preparation of wool at the grower level. This program has had a stabilizing

influence on the wool market throughout the United States since first introduced.

Joining

A number of things can help you make your final decision about whether to use a cooperative to market your wool.

Most State and regional wool cooperatives have publications to explain their organization, operations, and services. You could ask for them and then study the material. Your local county agricultural agent, other wool growers, and field representatives of the wool cooperative also will have information to help you decide whether or not you want to become a member.

You can also talk to wool growers who have marketed their wool through the cooperative for a number of years, to those who have used the association only 1 or 2 years, and to those who have never marketed their wool cooperatively. Their varying experiences can help you make up your mind about joining.

You should also know the grade and shrinkage (percentage of grease and dirt) of your wool as well as the way buyers in your area operate. If buyers purchase on "averages" and your wool is of the shorter, heavy shrinking variety, you may find it to your advantage to make an outright sale to a buyer.

However, if you have a desirable clip of wool, you will usually find it to your advantage to market your

clip on a merit basis—generally a standard procedure with State and regional marketing associations.

You will also want to compare prices received. During periods of active rising markets, with good prospects of higher prices after shearing season, you usually find buyers eager to buy your wool. During such seasons, growers often find it advantageous to consign their wool for sale at a later date, one of the services larger wool cooperatives can give you.

When prospects indicate lower prices after the shearing season, buyers usually are inactive. During these periods, you should not expect to use the cooperative as a storm cellar and then desert it as soon as the weather clears.

For your cooperative to serve you well during both bad and good periods, you must recognize that it needs your continued use and support to remain a strong, efficient organization.

Usually to become a member of a wool cooperative you first contact a representative of the association. Once you join you should retain your membership over a period of years. This is because your cooperative can build markets for your wool and operate efficiently only if it has a stable volume of wool.

Financing

TO share the benefits of your wool association, you need to also share in supporting it. This support

may take several forms. But none is more important than your own financial support.



Appraising wool for sale in a cooperative warehouse.

You and your fellow members must provide your share of your cooperative's financial resources, remembering that a soundly financed cooperative is respected by credit agencies and instills confidence in its members. You cannot depend solely on other investors to finance your association.

Financing a local wool pool is usually a small problem since little or no money is required for operations. State and regional wool-marketing associations, however, require enough funds to make preshearing and commodity advances, purchase and lease warehousing and other facilities, and to meet payrolls. Usually a number of credit sources are available to these associations, among them their nearest bank for cooperatives operating under the Farm Credit System.

You will find that most State and regional cooperatives use the revolving fund plan of financing. This means they obtain capital funds by

Grading fleeces for length and grade.



retaining a certain portion of members' savings for a period of years. These savings usually amount to a fraction of a cent a pound of wool.

The savings thus retained are allocated on the books as belonging to the growers who used the association that particular year. The association's board of directors decides when enough capital has been accumulated to meet current financial needs and then begins to resolve its capital. This is done by returning to growers, by clip years, the amounts it has retained and credited to their accounts.

In revolving capital, the oldest capital retains are commonly repaid

first. In this way financing the association is kept in the hands of its current, active members. Most associations employ a 5- to 10-year capital revolving fund plan to repay their members' retained savings.

As a member, you need to help your association maintain a sound financial condition. Your financial support of your association, if it uses the "revolving fund" method of financing, is best accomplished simply by marketing your wool through your cooperative. The savings from the marketing charges, a part of your sales proceeds, are an investment in your association.

Actively Participating

AT first glance, your part in the cooperative may appear to be limited to your actual patronage. Obviously, steady and continued delivery of wool is your cooperative's lifeblood. But your job of helping the association extends far beyond active patronage.

To receive the full benefits of your wool cooperative, you need more than a seasonal interest. You can learn much by attending district meetings as well as annual meetings. You need to take an active part in the discussion and in the voting that will determine the policies of the organization.

Your vote, remember, is one of the most important privileges your cooperative provides. By using it wisely, you can help to direct the operations of the association in ways that will result in you and your fellow members receiving the best possible benefits.

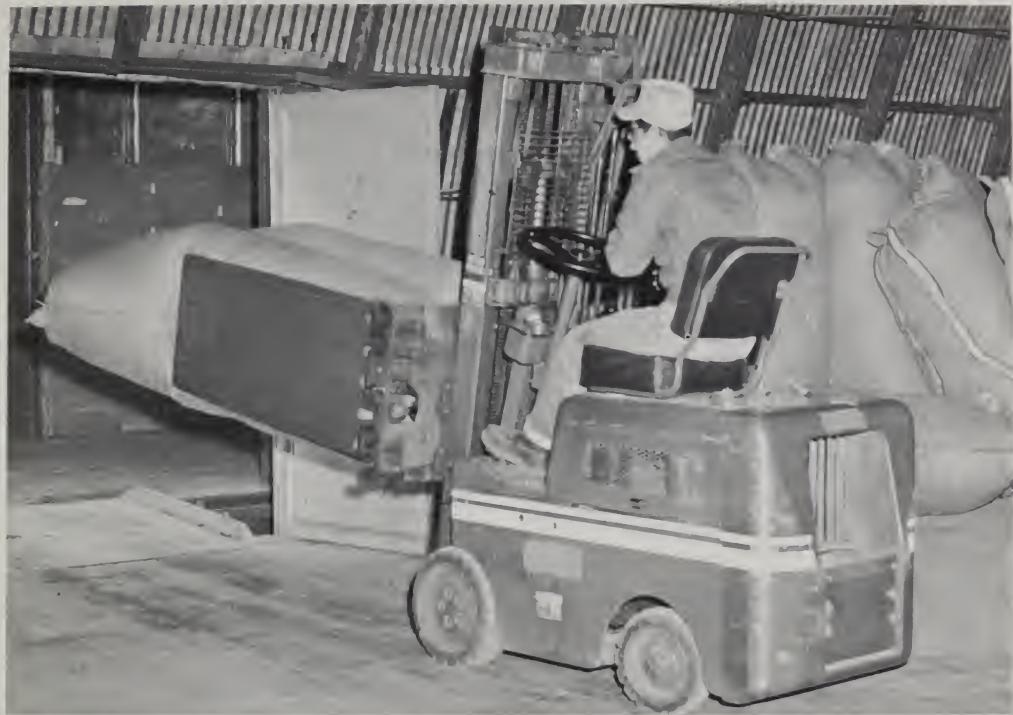
One of the most effective uses you may make of your voting privilege

is helping elect capable directors. Bear in mind that every wool-growing district from which the association receives its wool should be represented on the board.

Choosing directors carefully is the safest means members have of assuring the wise selection of people to fill managerial positions. Directors with the good of the association at heart will not be influenced in their selection of a manager by considerations other than his worth to the cooperative and its members.

While managerial ability and a knowledge of wool and wool marketing are necessarily essential, it is also important that the manager be a man who can work closely and harmoniously with the directors, members, and employees of the association.

It is his obligation to keep you and other members informed about the facts concerning the association's operations by presenting them in an easily-understood manner.



Loading wool bags into a boxcar for shipment.

Mechanically handling baled wool and using a coring apparatus
to sample for yield.



An active aggressive membership is vital to a successful association. The membership should be well-informed on the activities of the co-operative and changes occurring in wool marketing. Most State and regional wool cooperatives use various devices to keep members informed and thereby encourage member interest.

A number of cooperatives issue publications periodically to keep their members informed about the affairs of the association and industry developments. When an association sponsors meetings, the members often find these of considerable help to their farm or ranch opera-

tions and a good place to exchange ideas.

You, as a member, are in a position to help develop the services of the association. If you want more information on market news, trends, methods of preparing wool for market, grades, or shrinkage you can and should expect your association to help.

A cooperative needs to operate as a sound business organization. However, to fulfill all its aims and goals requires a constant aggressive campaign of making improvements. It is up to you and the other members to see that your long-time interests are served.

Adding New Services

WOOL cooperatives, whether local or State or regional, constantly strive to better serve their members. Many cooperatives are adding new services to give members a wider choice and at the same time attract new members and increase volume.

Some cooperatives are extending their services to include order-buying, outright purchase, sealed bid, and auction sale. For members who need their money promptly, the cooperative will buy their wool outright.

With these services the members have a choice of delivering their wool to a country point and having the cooperative pick it up, shipping directly to the cooperative, or in some instances shipping directly to a manufacturer with whom the cooperative has an order-buying arrangement.

Many cooperatives are adding farm production supplies. A few of the larger wool cooperatives are

offering warehousing storage in producing areas. With this service, the wool grower can sell his wool out of storage whenever he wants to or he can ask the association to do it.

To better serve growers who shear twice a year, some cooperatives are taking and marketing wool throughout the year. Finally, some cooperatives bale for their members to lower storage and transportation costs.

Many changes and improvements in wool marketing have come about largely through the efforts of united growers working through a cooperative. Among the most important of these are improving the quality of wool and providing greater marketing efficiency.

Generally speaking, it has been you, the wool grower, who has done the pioneering, assumed the risks, and taken the lead to increase your returns.

20 Questions About Your Nearest Wool Cooperative

1. Where is your nearest wool cooperative located?
2. Is your cooperative a local pool, a statewide organization, or a regional?
3. Does the organization have sales outlets in all the principal consuming centers?
4. How long has the cooperative been in operation?
5. How many members does it have?
6. Is the wool-growing area in which you operate well represented on the board of directors?
7. Are board members wool growers, or other businessmen?
8. How is membership in the cooperative acquired?
9. What services are offered by the cooperative to attract members?
10. How is the cooperative financed?
11. Are partial payments or advances available to shippers until wool is graded and sold?
12. Do members contribute in any way to the financial structure?
13. What services are provided by the wool cooperative to growers in your community?
14. Are there educational services as well as selling services?
15. How is the bulk of the wool in your community sold?
16. Are there any grower-controlled plans of selling?
17. What percentage of the wool in your community goes to the cooperative?
18. From what source do you receive your wool market information?
19. How is this information used?
20. What services, selling or otherwise, do you think your local wool cooperative should provide?

Selected Publications on Wool Marketing

Erickson, D. B. and St. Clair, J. S., Economics of Marketing Wyoming State Wool, Wyo. Agr. Expt. Sta., Mimeo Cir. 157. 9 pp. 1961.

Hodde, W. L. and Byrne, R. J., Some Effects of Wool Baling on Transportation. Farmer Cooperative Service, Serv. Rept. 52, U.S. Dept. Agr. 13 pp. Washington, D.C. 1960.

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Jones, A. D., Wool Warehouses: Practices, Facilities, Services, Charges, and Problems. U.S. Dept. Agr. Tech. Bul. 1259. 54 pp. Washington, D.C. 1961.

Jones, A. D. and Richards, H. A., Scouring, Baling, and Transporting Western Wools, U.S. Dept. Agr. Mktg. Res. Rept. 723. 117 pp. Washington, 1965.

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U.S. Department of Agriculture, How Much Did Your Wool Bring? Farmer Cooperative Service Info. Bul. 15. 6 pp. Washington, D.C. 1961.

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Other Publications Available

- The Story of Farmers' Cooperatives. Educational Circular 1.
- Using Your Livestock Co-op. Educational Circular 4.
- Financing Farmers' Cooperatives. Educational Circular 5.
- Using Your Fruit and Vegetable Co-op. Educational Circular 7.
- Using Your Co-op Elevator. Educational Circular 8.
- Using Your Poultry and Egg Co-op. Educational Circular 9.
- Forming Farmer Cooperatives. Educational Circular 10.
- Sizing Up Your Cooperative. Educational Circular 11.
- Farmer Cooperatives in Our Community. Educational Circular 12.
- Three Principles of Agricultural Cooperation. Educational Circular 13.
- Using Your Co-op Cotton Gin. Educational Circular 15.
- Using Your Rural Credit Union. Educational Circular 16.
- Managing Farmers' Cooperatives. Educational Circular 17.
- How to Start a Farmer Cooperative. Educational Circular 18.
- Sample Legal Documents for New Cooperatives. Educational Circular 19.
- Identifying the Need for Forestry Associations. Educational Circular 20.

A copy of each of these publications may be obtained upon request while a supply is available from—

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